

TAB 48



Boehringer Ingelheim
Roxane Laboratories

**ROXANE
LABORATORIES, INC.**

**COMMENTARY TO THE
FINANCIAL STATEMENTS
FOR YEAR END
12/31/2001**

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ROXANE LABORATORIES, INC.
2001 Year-End Commentary
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| ROXANE LABORATORIES, INC. INCOME STATEMENT TOTAL COMPANY Budget 2001 vs Year End 2001 | | | |
|--|----------------|------------------|---|
| Thousands U.S.\$ | | | |
| | Budget 2001 | Year End 2001 | Year End Over/(Under) Budget 2001 |
| Gross Sales of Goods | 743,879 | 725,240 | (18,639) |
| Additional Income | - | - | - |
| Sales Discounts | 147,735 | 166,371 | 18,636 |
| Product Net Sales | 596,144 | 558,869 | (37,275) |
| Royalty Income | 2,309 | - | (2,309) |
| Other Income | - | 4,694 | 4,694 |
| Net Sales | 598,453 | 563,563 | (34,890) |
| Standard Cost of Goods Sold | 408,543 | 398,039 | (10,504) |
| Direct Cost of Distribution | 6,348 | 9,128 | 2,780 |
| Royalties | 15,766 | 10,372 | (5,394) |
| Contribution I | 167,796 | 146,024 | (21,772) |
| Direct Promotion | 17,284 | 10,024 | (7,260) |
| Cost of Free Goods | - | - | - |
| Contribution 1A | 150,512 | 136,000 | (14,512) |
| Own Field Force | 26,856 | 14,346 | (12,510) |
| Contribution II | 123,656 | 121,654 | (2,002) |
| General Promotion - Activities | 1,800 | 290 | (1,510) |
| Marketing and Sales Organization | 8,050 | 4,998 | (3,052) |
| Indirect Cost of Distribution | 6,937 | 7,170 | 233 |
| Research & Development I | 17,290 | 16,709 | (581) |
| Medical Cost I | 22,963 | 22,799 | (164) |
| Administration Cost | 6,325 | 8,090 | 1,765 |
| Variances for Cost of Goods Sold I | - | (1,110) | (1,110) |
| Variance from Other Internal Service Chgs | - | 1,414 | 1,414 |
| (Income)/Expense I | 3,857 | (635) | (4,492) |
| Contribution III | 56,434 | 61,929 | 5,495 |
| Process Development | 282 | 967 | 685 |
| Cost of Idle Capacity | 3,854 | 4,611 | 757 |
| Variance Production | 262 | 10,173 | 9,911 |
| (Income)/Expense II | - | (174,810) | (174,810) |
| Contribution IV | 52,036 | 220,988 | 168,952 |
| Research & Development II | - | 19 | 19 |
| All Other, III | 1,095 | 967 | (128) |
| Operating Income/(Loss) BA | 50,941 | 220,002 | 169,061 |
| Financial Income/(Expense) | (2,021) | 2,794 | 4,815 |
| Income/(Loss) Before Taxes | 48,920 | 222,796 | 173,876 |
| Taxes | 19,080 | 83,795 | 64,715 |
| Income/(Loss) After Taxes | 29,840 | 139,001 | 109,161 |

ROXANE LABORATORIES, INC.
Commentary on Total Company Income Statement
Millions U.S. \$

Overview

- For Roxane Laboratories Inc. (RLI), 2001 was a year of change. These changes represented the initiation of a plan to transform RLI into a manufacturing center of excellence, not only for domestic, but for international production as well. In 2001 RLI transferred responsibilities, (including marketing and field force personnel) for marketing and sales of its Multisource products to Ben Venue Laboratories. For its main Branded products, including the Viramune brand, the transfer was to BI Pharmaceuticals, Inc. in Connecticut. The remaining branded products of Cafcit and Torecan will be transferred during 2002.
- RLI sold to Elan Pharmaceuticals for \$200 the rights to sell its Palliative Care Product line on October 1st, 2001. These products included Duraclon, Oramorph, Roxanol and Roxicodon. Cashflow from this agreement will be impacted through 2005. Its branded Methadone line was sold to Ceber Inc. also during 2001. On January 1st, RLI ceased selling its Marinol product line under a settlement agreement with Unimed Incorporated. The settlement agreement has a four-year term under which RLI must refrain from selling Marinol and refrain from initiating legal action against Unimed, while Unimed must make timely payments over the term of the agreement which would amount to \$33.1. If these future payments are not realized, the transferred rights to Unimed, could be voided. In addition, RLI personnel changes, eliminations or transfers occurred in the functions of HR, Finance, Marketing, R&D and Medical.

These monumental changes must be considered when evaluating the year-end performance and variances to budget described in the following commentaries.

- Total Company Net Sales are \$35 below Budget.
- Third Party Sales are below Budget by \$22.
- Total Company Operating Income BA exceeded Budget by \$169.

| ROXANE LABORATORIES, INC. INCOME STATEMENT TOTAL COMPANY Budget 2001 vs Year End 2001 | | | |
|--|----------------|------------------|---|
| Thousands U.S.\$ | | | |
| | Budget 2001 | Year End 2001 | Year End Over/(Under) Budget 2001 |
| Gross Sales of Goods | 743,879 | 725,240 | (18,639) |
| Additional Income | - | - | - |
| Sales Discounts | 147,735 | 166,371 | 18,636 |
| Product Net Sales | 596,144 | 558,869 | (37,275) |
| Royalty Income | 2,309 | - | (2,309) |
| Other Income | - | 4,694 | 4,694 |
| Net Sales | 598,453 | 563,563 | (34,890) |
| Standard Cost of Goods Sold | 408,543 | 398,039 | (10,504) |
| Direct Cost of Distribution | 6,348 | 9,128 | 2,780 |
| Royalties | 15,766 | 10,372 | (5,394) |
| Contribution I | 167,796 | 146,024 | (21,772) |
| Direct Promotion | 17,284 | 10,024 | (7,260) |
| Cost of Free Goods | - | - | - |
| Contribution IA | 150,512 | 136,000 | (14,512) |
| Own Field Force | 26,856 | 14,346 | (12,510) |
| Contribution II | 123,656 | 121,654 | (2,002) |
| General Promotion - Activities | 1,800 | 290 | (1,510) |
| Marketing and Sales Organization | 8,050 | 4,998 | (3,052) |
| Indirect Cost of Distribution | 6,937 | 7,170 | 233 |
| Research & Development I | 17,290 | 16,709 | (581) |
| Medical Cost I | 22,963 | 22,799 | (164) |
| Administration Cost | 6,325 | 8,090 | 1,765 |
| Variances for Cost of Goods Sold I | - | (1,110) | (1,110) |
| Variance from Other Internal Service Chgs | - | 1,414 | 1,414 |
| (Income)/Expense I | 3,857 | (635) | (4,492) |
| Contribution III | 56,434 | 61,929 | 5,495 |
| Process Development | 282 | 967 | 685 |
| Cost of Idle Capacity | 3,854 | 4,611 | 757 |
| Variance Production | 262 | 10,173 | 9,911 |
| (Income)/Expense II | - | (174,810) | (174,810) |
| Contribution IV | 52,036 | 220,988 | 168,952 |
| Research & Development II | - | 19 | 19 |
| All Other, III | 1,095 | 967 | (128) |
| Operating Income/(Loss) BA | 50,941 | 220,002 | 169,061 |
| Financial Income/(Expense) | (2,021) | 2,794 | 4,815 |
| Income/(Loss) Before Taxes | 48,920 | 222,796 | 173,876 |
| Taxes | 19,080 | 83,795 | 64,715 |
| Income/(Loss) After Taxes | 29,840 | 139,001 | 109,161 |

ROXANE LABORATORIES, INC.
Commentary on Total Company Income Statement
Millions U.S. \$

(continued...)

Income/Expense II

- 2001 Actual Income is \$175.
 - Attributable to the Elan deal for the purchase of the pain/palliative brand product line.

Financial Income/Expense

- 2001 Actual Financial Income is higher than Budget by \$5, reflecting the positive cash flow from the product line sales, as described above.

| ROXANE LABORATORIES, INC. INCOME STATEMENT THIRD PARTY Budget 2001 vs Year End 2001 | | | |
|--|----------------|------------------|---|
| Thousands U.S.\$ | | | |
| | Budget 2001 | Year End 2001 | Year End Over/(Under) Budget 2001 |
| Gross Sales of Goods | 460,791 | 455,172 | (5,619) |
| Additional Income | - | - | - |
| Sales Discounts | 147,735 | 166,370 | 18,635 |
| Product Net Sales | 313,056 | 288,802 | (24,254) |
| Royalty Income | 2,309 | - | (2,309) |
| Other Income | - | 4,694 | 4,694 |
| Net Sales | 315,365 | 293,496 | (21,869) |
| Standard Cost of Goods Sold | 127,875 | 134,868 | 6,993 |
| Direct Cost of Distribution | 6,348 | 9,128 | 2,780 |
| Royalties | 15,766 | 10,372 | (5,394) |
| Contribution I | 165,376 | 139,128 | (26,248) |
| Direct Promotion | 17,284 | 10,024 | (7,260) |
| Cost of Free Goods | - | - | - |
| Contribution IA | 148,092 | 129,104 | (18,988) |
| Own Field Force | 26,856 | 14,346 | (12,510) |
| Contribution II | 121,236 | 114,758 | (6,478) |
| General Promotion - Activities | 1,800 | 290 | (1,510) |
| Marketing and Sales Organization | 8,050 | 4,998 | (3,052) |
| Indirect Cost of Distribution | 6,937 | 7,170 | 233 |
| Research & Development I | 17,290 | 16,709 | (581) |
| Medical Cost I | 22,963 | 22,799 | (164) |
| Administration Cost | 6,325 | 8,090 | 1,765 |
| Variances for Cost of Goods Sold I | - | (112) | (112) |
| Variance from Other Internal Service Chgs | - | 1,414 | 1,414 |
| (Income)/Expense I | 3,857 | (710) | (4,567) |
| Contribution III | 54,014 | 54,110 | 96 |
| Process Development | 282 | - | (282) |
| Cost of Idle Capacity | 3,854 | 4,611 | 757 |
| Variance Production | 262 | 7,704 | 7,442 |
| (Income)/Expense II | - | (174,810) | (174,810) |
| Contribution IV | 49,616 | 216,605 | 166,989 |
| Research & Development II | - | 19 | 19 |
| All Other, III | 1,095 | 967 | (128) |
| Operating Income/(Loss) BA | 48,521 | 215,619 | 167,098 |

ROXANE LABORATORIES, INC.
Commentary on Third Party Income Statement
Millions U.S. \$

Net Sales

- Actual 2001 Third Party Net Sales are \$21.9 lower than Budget.

Royalties

- Actual 2001 is \$5.4 below Budget.
 - This is due mainly to Viramune sales being shifted to BIPI.

Direct Promotion and Field Force

- 2001 Expenses are lower than Budget by \$19.8.
 - Significant reductions in advertising, promotion symposia and phase IV studies, along with reduced field force costs including personnel costs, travel and meeting expenses, explain this Budget variance.
 - This is due to a decrease in headcount and a reduction in expenses due to a shift from RLI to BIPI for the reorganization of the multisource business.

General Promotion Activities

- Actual versus Budget is down \$1.5.
 - Budget included \$1.0 for advertising and promotion, and \$.8 for telemarketing.
 - Actual came in at \$.3. This is related to the shift from RLI to BIPI for the reorganization of the multisource business.

Marketing and Sales Organization

- Actual 2001 is \$3.1 lower than Budget.
 - This is primarily due to the decreased headcount in the areas of Contract Administration, as well as Product Management – Brand Support.

ROXANE LABORATORIES, INC.
INCOME STATEMENT
THIRD PARTY
Budget 2001 vs Year End 2001

Thousands U.S.\$

| | Budget 2001 | Year End 2001 | Year End Over/(Under) Budget 2001 |
|---|----------------|------------------|---|
| Gross Sales of Goods | 460,791 | 455,172 | (5,619) |
| Additional Income | - | - | - |
| Sales Discounts | 147,735 | 166,370 | 18,635 |
| Product Net Sales | 313,056 | 288,802 | (24,254) |
| Royalty Income | 2,309 | - | (2,309) |
| Other Income | - | 4,694 | 4,694 |
| Net Sales | 315,365 | 293,496 | (21,869) |
| Standard Cost of Goods Sold | 127,875 | 134,868 | 6,993 |
| Direct Cost of Distribution | 6,348 | 9,128 | 2,780 |
| Royalties | 15,766 | 10,372 | (5,394) |
| Contribution I | 165,376 | 139,128 | (26,248) |
| Direct Promotion | 17,284 | 10,024 | (7,260) |
| Cost of Free Goods | - | - | - |
| Contribution IA | 148,092 | 129,104 | (18,988) |
| Own Field Force | 26,856 | 14,346 | (12,510) |
| Contribution IB | 121,236 | 114,758 | (6,478) |
| General Promotion - Activities | 1,800 | 290 | (1,510) |
| Marketing and Sales Organization | 8,050 | 4,998 | (3,052) |
| Indirect Cost of Distribution | 6,937 | 7,170 | 233 |
| Research & Development I | 17,290 | 16,709 | (581) |
| Medical Cost I | 22,963 | 22,799 | (164) |
| Administration Cost | 6,325 | 8,090 | 1,765 |
| Variances for Cost of Goods Sold I | - | (112) | (112) |
| Variance from Other Internal Service Chgs | - | 1,414 | 1,414 |
| (Income)/Expense I | 3,857 | (710) | (4,567) |
| Contribution III | 54,014 | 54,110 | 96 |
| Process Development | 282 | - | (282) |
| Cost of Idle Capacity | 3,854 | 4,611 | 757 |
| Variance Production | 262 | 7,704 | 7,442 |
| (Income)/Expense II | - | (174,810) | (174,810) |
| Contribution IV | 49,616 | 216,605 | 166,989 |
| Research & Development II | - | 19 | 19 |
| All Other, III | 1,095 | 967 | (128) |
| Operating Income/(Loss) BA | 48,521 | 215,619 | 167,098 |

ROXANE LABORATORIES, INC.
Commentary on Third Party Income Statement
Millions U.S. \$

(continued...)

Administration Cost

- Actual 2001 is \$1.8 higher than Budget.
 - Mostly due to unbudgeted legal expenses and depreciation charges.

Cost of Idle Capacity

- 2001 Actual is over Budget by \$.8.
 - Attributed to the form, fill and seal operations within the respiratory therapy production area.

Income/Expense I

- 2001 Actual is \$4.5 lower than Budget.
 - Payment received from Unimed of \$15 for Marinol, \$18 additional through 2004.
 - Additional expense for bad debt, \$1.8; product destruction, \$1.4 and production machinery, \$1.8.

Variance Production

- 2001 Actual is higher than Budget by \$9.9.
 - Spending is \$3 (related to personnel costs of \$1.6, outside services of \$.4 and maintenance of \$.6), absorption of \$3.8 (partially related to plant shut down at the end of December) and production variance which amounted to \$3.4.

ROXANE LABORATORIES, INC.
INCOME STATEMENT
THIRD PARTY
Budget 2001 vs Year End 2001

Thousands U.S.\$

| | Budget 2001 | Year End 2001 | Year End Over/(Under) Budget 2001 |
|---|----------------|------------------|---|
| Gross Sales of Goods | 460,791 | 455,172 | (5,619) |
| Additional Income | - | - | - |
| Sales Discounts | 147,735 | 166,370 | 18,635 |
| Product Net Sales | 313,056 | 288,802 | (24,254) |
| Royalty Income | 2,309 | - | (2,309) |
| Other Income | - | 4,694 | 4,694 |
| Net Sales | 315,365 | 293,496 | (21,869) |
| Standard Cost of Goods Sold | 127,875 | 134,868 | 6,993 |
| Direct Cost of Distribution | 6,348 | 9,128 | 2,780 |
| Royalties | 15,766 | 10,372 | (5,394) |
| Contribution I | 165,376 | 139,128 | (26,248) |
| Direct Promotion | 17,284 | 10,024 | (7,260) |
| Cost of Free Goods | - | - | - |
| Contribution IA | 148,092 | 129,104 | (18,988) |
| Own Field Force | 26,856 | 14,346 | (12,510) |
| Contribution II | 121,236 | 114,758 | (6,478) |
| General Promotion - Activities | 1,800 | 290 | (1,510) |
| Marketing and Sales Organization | 8,050 | 4,998 | (3,052) |
| Indirect Cost of Distribution | 6,937 | 7,170 | 233 |
| Research & Development I | 17,290 | 16,709 | (581) |
| Medical Cost I | 22,963 | 22,799 | (164) |
| Administration Cost | 6,325 | 8,090 | 1,765 |
| Variances for Cost of Goods Sold I | - | (112) | (112) |
| Variance from Other Internal Service Chgs | - | 1,414 | 1,414 |
| (Income)/Expense I | 3,857 | (710) | (4,567) |
| Contribution III | 54,014 | 54,110 | 96 |
| Process Development | 282 | - | (282) |
| Cost of Idle Capacity | 3,854 | 4,611 | 757 |
| Variance Production | 262 | 7,704 | 7,442 |
| (Income)/Expense II | - | (174,810) | (174,810) |
| Contribution IV | 49,616 | 216,605 | 166,989 |
| Research & Development II | - | 19 | 19 |
| All Other, III | 1,095 | 967 | (128) |
| Operating Income/(Loss) BA | 48,521 | 215,619 | 167,098 |

ROXANE LABORATORIES, INC.
Commentary on Third Party Income Statement
Millions U.S. \$

(continued...)

Income/Expense II

- 2001 Actual Income is \$175.
 - Attributable to the revenue recognition from Elan for the purchase of the pain/palliative brand product line as follows:

| | |
|--|---------------------|
| – Revenues from the sale of licenses to Elan | 200.0 |
| – Discount for present value | (12.0) |
| – Disposal of intangibles – Elan | (5.1) |
| – Royalty to BII | (3.7) |
| – Others | <u>(4.2)</u> |
| | <u>175.0</u> |

| ROXANE LABORATORIES, INC. THIRD PARTY NET SALES BY BRAND AND MULTISOURCE Budget 2001 vs. Year End 2001 | | | |
|---|----------------|------------------|---|
| Thousands U.S. \$ | | | |
| | Budget 2001 | Year End 2001 | Year End Over/(Under) Budget 2001 |
| Brand | | | |
| Caffeine | 13,177 | 6,097 | (7,080) |
| Duraclon | 1,195 | 1,661 | 466 |
| Marinol | - | (2,270) | (2,270) |
| Methadone | 3,896 | 4,421 | 525 |
| Oramorph | 9,616 | 20,596 | 10,980 |
| Orlaam | 1,172 | 1,171 | (1) |
| Pipet Dispenser | - | 192 | 192 |
| Roxanol | 3,592 | 4,287 | 695 |
| Roxicodone | 8,203 | 15,325 | 7,122 |
| Torecan | 969 | 993 | 24 |
| Viramune | 126,290 | 68,390 | (57,900) |
| Net Sales of Goods - Brand | 168,110 | 120,863 | (47,247) |
| Multisource | | | |
| Azathioprine | 6,091 | 11,859 | 5,768 |
| Calcium Carbona | 1,267 | 1,356 | 89 |
| Cocaine | 1,290 | 4,494 | 3,204 |
| Codeine | 3,227 | 3,646 | 419 |
| Cyclophosphamide | 6,528 | 6,849 | 321 |
| Dexamethasone | 3,719 | 4,124 | 405 |
| Diazepam | 1,250 | 1,111 | (139) |
| Digoxin | 1,504 | 961 | (543) |
| Dihydrotychiste | 1,943 | 1,232 | (711) |
| Furosemide | 2,582 | 3,220 | 638 |
| Hydromorphone | 2,435 | 3,624 | 1,189 |
| Hydroxyurea | 2,203 | 1,136 | (1,067) |
| Ipratropium | 15,956 | 17,039 | 1,083 |
| Latulose | 1,166 | 1,183 | 17 |
| Leucovorin | 1,805 | 1,959 | 154 |
| Lidocaine | 1,904 | 2,207 | 303 |
| Lithium | 14,343 | 25,990 | 11,647 |
| Lorazepam | 3,010 | 3,549 | 539 |
| Meperidine | 1,867 | 1,381 | (486) |
| Morphine | 2,727 | 3,728 | 1,001 |
| Nystatin | 221 | (1) | (222) |
| Prednisone | 20,293 | 16,346 | (3,947) |
| Propantheline Bromide | 3,782 | 1,747 | (2,035) |
| Roxicet | 9,521 | 12,164 | 2,643 |
| Sodium Polystyrene | 4,465 | 5,489 | 1,024 |
| All Other Multisource Products | 32,157 | 30,837 | (1,320) |
| Net Sales of Goods - Multisource | 147,256 | 167,230 | 19,974 |
| Net Sales of Goods - Toll & Other | - | 5,403 | 5,403 |
| Net Sales of Goods - Third Party | 315,366 | 293,496 | (21,870) |

ROXANE LABORATORIES, INC.
Commentary on Third Party Net Sales by Brand & Multisource
Millions U.S.\$

Third Party Net Sales – Brand Products

- 2001 Brand sales are \$47.2 below Budget.
 - Viramune accounted for most of this decrease with Net Sales \$57.9 below Budget. This is due to the transfer of Viramune sales to BIPI for the actuals while the Budget amounts remained on RLI.
 - Cafcit sales are below Budget by \$7.0.
 - Roxicodone is above Budget by \$7.1.
 - Marinol 2001 sales are down \$2.2 reflecting the termination of RLI's agreement with Unimed. RLI no longer sold Marinol effective January 2001.

Third Party Net Sales – Multisource Products

- 2001 Multisource sales provided an additional \$20.0 in sales over Budget.
 - Lithium is over \$11.7 due to delayed competition resulting in 238,000 units over Budget.
 - Azathioprine is over \$6.0 due to higher ASP in first half of the year, as well as optimizing competitors' weaknesses and selling 143,000 units over Budget.
 - Methadone is \$4.9 over Budget due to sales of 570,000 units over Budget
 - Cocaine is \$3.2 over Budget due to sales of 66,000 units over Budget. Product availability this year allowed for unbudgeted growth.
 - Prednisone is under \$3.9 due to extended backorders on the 1mg tablet. This caused prescriptions to be switched from 1mg to other less costly alternative dose regimens and resulted in a 9.2 million tablet market shrinkage in the 1mg tablet relative to Budget.
 - Propantheline Bromide is under \$2.0 due to extended backorders. This resulted in prescriptions being switched to other treatment modalities and a loss of 5 million doses relative to Budget.

ROXANE LABORATORIES, INC.
INCOME STATEMENT
AFFILIATES
Budget 2001 vs Year End 2001

Thousands U.S.\$

| | Budget 2001 | Year End 2001 | Year End Over/(Under) Budget 2001 |
|---|----------------|------------------|---|
| Gross Sales of Goods | 283,088 | 270,068 | (13,020) |
| Additional Income | - | - | - |
| Sales Discounts | - | 1 | 1 |
| Product Net Sales | 283,088 | 270,067 | (13,021) |
| Royalty Income | - | - | - |
| Other Income | - | - | - |
| Net Sales | 283,088 | 270,067 | (13,021) |
| Standard Cost of Goods Sold | 280,668 | 263,171 | (17,497) |
| Direct Cost of Distribution | - | - | - |
| Royalties | - | - | - |
| Contribution I | 2,420 | 6,896 | 4,476 |
| Direct Promotion | - | - | - |
| Cost of Free Goods | - | - | - |
| Contribution IA | 2,420 | 6,896 | 4,476 |
| Own Field Force | - | - | - |
| Contribution II | 2,420 | 6,896 | 4,476 |
| General Promotion - Activities | - | - | - |
| Marketing and Sales Organization | - | - | - |
| Indirect Cost of Distribution | - | - | - |
| Research & Development I | - | - | - |
| Medical Cost I | - | - | - |
| Administration Cost | - | - | - |
| Variances for Cost of Goods Sold I | - | (998) | (998) |
| Variance from Other Internal Service Chgs | - | - | - |
| (Income)/Expense I | - | 75 | 75 |
| Contribution III | 2,420 | 7,819 | 5,399 |
| Process Development | - | 967 | 967 |
| Cost of Idle Capacity | - | - | - |
| Variance Production | - | 2,469 | 2,469 |
| (Income)/Expense II | - | - | - |
| Contribution IV | 2,420 | 4,383 | 1,963 |
| Research & Development II | - | - | - |
| All Other, III | - | - | - |
| Operating Income/(Loss) BA | 2,420 | 4,383 | 1,963 |

ROXANE LABORATORIES, INC.
Commentary on Affiliates Income Statement
Millions U.S. \$

Net Sales of Goods

- 2001 Actual is \$13.0 below Budget.
 - Sales of Consumer Health Care products are down \$17.8 due to all packaging with the exception of Dulcolax being out-sourced to a third party.
 - Sales of Prescription Medicines are up \$4.8 largely due to increased requirements for Combivent \$10.7, Atrovent \$10.4 and Viramune \$19.2. Although there was a significant drop in Mobic of \$42.0.

ROXANE LABORATORIES, INC.
RESEARCH & DEVELOPMENT AND MEDICAL COST
Budget 2001 vs. Year End 2001

Thousands U.S.\$

| | Budget 2001 | Year End 2001 | Year End Over (Under) Budget 2001 |
|---|----------------|------------------|---|
| <u>Research & Development I and Medical Cost I</u> | | | |
| Research & Development I | 17,290 | 16,709 | (581) |
| Medical Cost I | 22,963 | 22,799 | (164) |
| Total R&D I and Medical Cost I | 40,253 | 39,508 | (745) |
| <u>Research & Development II and Medical Cost II</u> | | | |
| Research & Development II | 0 | 19 | 19 |
| Medical Cost II | 0 | 0 | 0 |
| Total R&D II and Medical Cost II | = | 19 | 19 |
| Total Research & Development and Medical | 40,253 | 39,527 | (726) |
| As a % of Net Sales | 6.73% | 7.01% | 0.29% |
| Total Research & Development | 17,290 | 16,728 | (562) |
| Total Medical Cost | 22,963 | 22,799 | (164) |

ROXANE LABORATORIES, INC.
Commentary on R&D
Millions U.S. \$

R&D

- 2001 Expenses are \$.6 below Budget.
 - This decrease is largely due to the reduction in headcount contributing to personnel costs being under.

ROXANE LABORATORIES, INC.
PERSONNEL COSTS
Budget 2001 vs Year End 2001

Thousands U.S.\$

| | Budget 2001 | Year End 2001 | Year End Over/(Under) Budget 2001 |
|-----------------------------------|----------------|------------------|---|
| Personnel Costs | 69,454 | 58,792 | (10,662) |
| Restructuring | - | - | - |
| Total Personnel Costs | 69,454 | 58,792 | (10,662) |
| | | | |
| Pers. Costs (Excl. Restructuring) | | | |
| as a % of Net Sales | 11.61% | 10.43% | -1.17% |
| | | | |
| Total Headcount | 955 | 816 | (139) |

ROXANE LABORATORIES, INC.
Commentary on Personnel Data
Millions U.S. \$

Personnel Costs

- Actual 2001 Personnel Cost of \$58.8 is \$10.7 under Budget.
 - The \$10.7 variance is primarily due to the shift of the RLI HIV Field Force, Trade Relations and Contract Administration positions to BIPI, eliminated positions in Marketing and Medical, and open positions in R& D. This is partially offset by higher projections for Long-Term compensation and Operations personnel cost, which is over budget by \$1.2 million due to the additional positions needed to meet business demands.

ROXANE LABORATORIES, INC.
Headcount
Budget 2001 vs Year End 2001

| Business Area | Budget 2001 | Year End 2001 | Year End Over/(Under) Budget 2001 |
|--------------------------------------|--------------------|----------------------|--|
| Pharmaceutical Manufacturing | 660 | 677 | 17 |
| Marketing Office | 36 | 2 | (34) |
| Marketing Field | 97 | 3 | (94) |
| Medicine Human Pharmaceutical | 42 | 30 | (12) |
| R&D Human Pharmaceutical | 66 | 55 | (11) |
| Central Functions | 54 | 49 | (5) |
| Total Headcount | 955 | 816 | (139) |

ROXANE LABORATORIES, INC.
Commentary on Personnel Data
Millions U.S. \$

(continued...)

Regular Headcount

- Actual 2001 Headcount of 816 is 139 positions under Budget.
 - The decrease from Budget primarily represents the shift of positions associated the RLI HIV Field Force, Trade Relations and Contract Administration positions to BIPI and other position elimination's within Marketing and Sales of 128. Other areas under Budget include R&D with 10 open positions and Medical with 13 eliminated positions as part of Project RLI. Central Functions is also under by 5, primarily due to the consolidation of Finance to BIPI. Operations are over budget by 17 positions due to the backorder situation and to compensate for the increased technical and GMP training in the production areas.

ROXANE LABORATORIES, INC.
BALANCE SHEET
 Budget 2001 vs. Year End 2001

Thousands U.S.\$

| | Budget 2001 | Year End 2001 | Year End Over (Under) Budget 2001 |
|--|----------------|------------------|---|
| ASSETS | | | |
| Concess., Pat, Lic, Trademark, etc. | 10,861 | 5,705 | (5,156) |
| Property, Plant and Equipment | 130,733 | 119,807 | (10,926) |
| Long-term Investments | - | 320 | 320 |
| Total Prop, Plant, Equip, and Invest | 141,594 | 125,832 | (15,762) |
| Inventories | 90,358 | 112,271 | 21,913 |
| Trade Accounts Receivable 3rd Parties | 41,136 | 51,950 | 10,814 |
| Trade Accounts Receivable fr. Affil. Comp. | - | - | - |
| Short-Term advances to Affiliates | 25,808 | 149,504 | 123,696 |
| Other Assets | 7,500 | 131,094 | 123,594 |
| Deferred Tax Assets | 13,200 | - | (13,200) |
| Total Receivables | 87,644 | 332,548 | 244,904 |
| Liquid Funds | - | - | - |
| Prepaid Expenses a.o. deferred items | - | 120 | 120 |
| Total Current Assets | 178,002 | 444,939 | 266,937 |
| Total Assets | 319,596 | 570,771 | 251,175 |
| SHAREHOLDERS' EQUITY, PROVISIONS, AND LIABILITIES | | | |
| Share Capital | 19 | 19 | - |
| Additional Paid-In Capital | 8,735 | 8,735 | - |
| Retained Earnings, Opening Balance | 198,229 | 219,521 | 21,292 |
| Interim Dividends | (19,200) | - | 19,200 |
| Net Income (Loss), Current Period | 29,840 | 139,001 | 109,161 |
| Total Shareholders' Equity | 217,623 | 367,276 | 149,653 |
| Provision for Pensions | 19,842 | 12,648 | (7,194) |
| Tax Provisions | 9,000 | 16,198 | 7,198 |
| Deferred Tax Prov/Liabilities | - | 19,123 | 19,123 |
| Other Provisions and Accruals | 31,500 | 68,108 | 36,608 |
| Total Provisions | 60,342 | 116,077 | 55,735 |
| Trade Accounts Payable | 20,000 | 52,800 | 32,800 |
| Payable to Banks | 4,631 | 1,804 | (2,827) |
| Payables to Affiliates | 12,000 | 8,523 | (3,477) |
| Loans from Affiliates | - | - | - |
| Other Liabilities | 5,000 | 892 | (4,108) |
| Total Liabilities | 41,631 | 64,019 | 22,388 |
| Deferred Income | - | 23,399 | 23,399 |
| Total Liabilities and Provisions | 101,973 | 203,495 | 101,522 |
| Total Equity, Liabilities and Provisions | 319,596 | 570,771 | 251,175 |

ROXANE LABORATORIES, INC.
Commentary on the Balance Sheet
Millions U.S. \$

2001 Actual vs. 2001 Budget

- **Intangibles** are below Budget by \$5.1.
 - Due to the write-down of Elan license intangibles.
- **Property, Plant and Equipment** are below Budget by \$10.9.
 - Due to delayed project implementation or cancelled projects.
- **Inventories** ended the year at \$112.3 or \$21.9 higher than Budget.
 - The major products are Ipratropium Bromide \$7.9, Methadone \$1.4, Oxycodone \$.5, Butorphanol \$.7, Micardis \$2.0, Viramune \$3.9, Mobic \$4.0, and Combivent \$2.3.
- **Trade Accounts Receivable Third Parties** are \$10.8 above Budget.
 - Represents 51 Days Sales Outstanding (DSO).
 - Reflects 60 day terms to various large distributors.
- **Short-term Advances to Affiliates** are higher than Budget by \$123.7 due to the change in intercompany position as a result in increased contributions to the BIC Cash pool. The increase was largely due to the up-front payment from Elan of \$80.
- **Other Assets** are above Budget by \$123.6 due to booking a receivable for the remaining \$120 payment from Elan for the divestiture of the Pain/Palliative products. The receivable will be discounted at the prime rate to arrive at the present value, which will be collected over the next three years. The increase to Other Assets was also due to the establishment of a receivable for \$23 from Unimed for Marinol.
- **Provision for Pensions** is lower than Budget by \$7.2 due to the reduction in personnel costs as a direct result of the decrease in headcount.
- **Tax Provision and Deferred Tax Provision** are \$26.3 higher than Budget reflecting the increased revenues from Elan.

| ROXANE LABORATORIES, INC. BALANCE SHEET Budget 2001 vs. Year End 2001 | | | |
|--|----------------|------------------|---|
| Thousands U.S.\$ | | | |
| | Budget 2001 | Year End 2001 | Year End Over (Under) Budget 2001 |
| ASSETS | | | |
| Concess., Pat, Lic, Trademark, etc. | 10,861 | 5,705 | (5,156) |
| Property, Plant and Equipment | 130,733 | 119,807 | (10,926) |
| Long-term Investments | - | 320 | 320 |
| Total Prop, Plant, Equip, and Invest | 141,594 | 125,832 | (15,762) |
| Inventories | 90,358 | 112,271 | 21,913 |
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| Trade Accounts Receivable fr. Affil. Comp. | - | - | - |
| Short-Term advances to Affiliates | 25,808 | 149,504 | 123,696 |
| Other Assets | 7,500 | 131,094 | 123,594 |
| Deferred Tax Assets | 13,200 | - | (13,200) |
| Total Receivables | 87,644 | 332,548 | 244,904 |
| Liquid Funds | - | - | - |
| Prepaid Expenses a.o. deferred items | - | 120 | 120 |
| Total Current Assets | 178,002 | 444,939 | 266,937 |
| Total Assets | 319,596 | 570,771 | 251,175 |
| SHAREHOLDERS' EQUITY, PROVISIONS, AND LIABILITIES | | | |
| Share Capital | 19 | 19 | - |
| Additional Paid-In Capital | 8,735 | 8,735 | - |
| Retained Earnings, Opening Balance | 198,229 | 219,521 | 21,292 |
| Interim Dividends | (19,200) | - | 19,200 |
| Net Income (Loss), Current Period | 29,840 | 139,001 | 109,161 |
| Total Shareholders' Equity | 217,623 | 367,276 | 149,653 |
| Provision for Pensions | 19,842 | 12,648 | (7,194) |
| Tax Provisions | 9,000 | 16,198 | 7,198 |
| Deferred Tax Prov/Liabilities | - | 19,123 | 19,123 |
| Other Provisions and Accruals | 31,500 | 68,108 | 36,608 |
| Total Provisions | 60,342 | 116,077 | 55,735 |
| Trade Accounts Payable | 20,000 | 52,800 | 32,800 |
| Payable to Banks | 4,631 | 1,804 | (2,827) |
| Payables to Affiliates | 12,000 | 8,523 | (3,477) |
| Loans from Affiliates | - | - | - |
| Other Liabilities | 5,000 | 892 | (4,108) |
| Total Liabilities | 41,631 | 64,019 | 22,388 |
| Deferred Income | - | 23,399 | 23,399 |
| Total Liabilities and Provisions | 101,973 | 203,495 | 101,522 |
| Total Equity, Liabilities and Provisions | 319,596 | 570,771 | 251,175 |

ROXANE LABORATORIES, INC.
Commentary on the Balance Sheet
Millions U.S. \$

(continued...)

2001 Actual vs. 2001 Budget (continued)

- **Other Provisions and Accruals** are \$36.6 above Budget primarily due to higher chargebacks and Medicaid rebates, as well as return provisions.
- **Trade Accounts Payable** is higher than Budget by \$32.8, which includes a payable to Elan for \$10 under the Interim Services Agreement.
- **Other Liabilities** are below Budget by \$4.1 due to the elimination of the royalty payment to Unimed for Marinol.
- **Deferred Income** of \$23.4 is due to the recording of deferred payments from Unimed for the years 2002 to 2004.